

## Economic Short Comment (14 Feb 2024)

Half of Tokyo's hotel guests are foreigners

~ Dependence on inbound tourists rising in metropolitan areas ~

### ● Recovery of Hotel Occupancy Rates

Demand recovery in hotels and ryokans (traditional Japanese inns) is progressing. Accommodation occupancy rates are steadily improving and have almost returned to pre-pandemic levels nationwide (see Figure 1). The driving force behind this recovery is primarily inbound tourism, which continues to grow steadily and contributes to the increase in accommodation demand.

Consequently, in major metropolitan areas, the proportion of foreign guests among hotel guests is rising. For instance, in Tokyo, the recent figure stands at 49%, nearly half of all guests (see Figure 2). While Tokyo has always been a region with a significant inbound tourist presence, the percentage was 37% in November 2019 (pre-pandemic), and it has increased by 12 points in the recent data (November 2023).

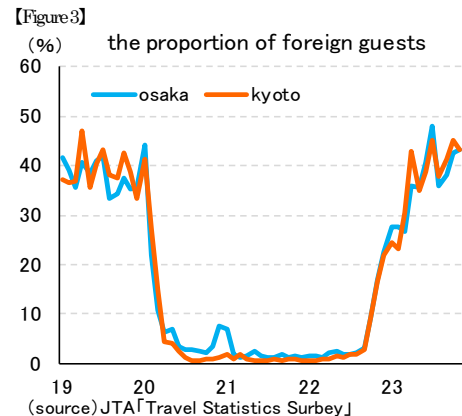
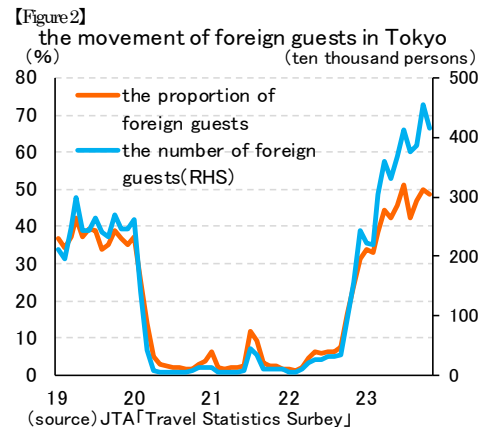
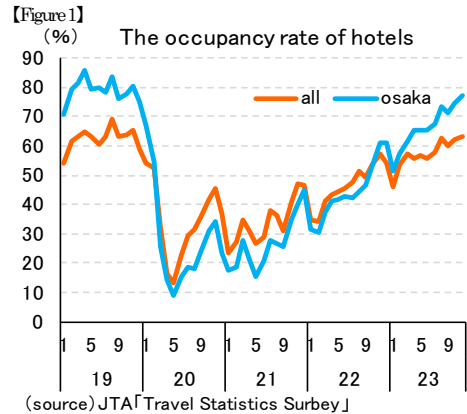
Although the rise in hotel occupancy rates is positive, the situation where inbound tourists account for half of the guests is not ideal. Overreliance on inbound tourism is not sustainable, and cautious consideration is necessary for future trends.

### ● Discrepancy Between Inbound and Domestic Demand

Not only in Tokyo but also in Osaka and Kyoto, the proportion of foreign guests has reached 43%. This level is 5 to 8 points higher than pre-pandemic levels (see Figure 3). While the increase is not as pronounced as in Tokyo, exceeding 40% is still significant.

The rise in foreign guest ratios, particularly in major metropolitan areas, is attributed to the steady recovery of the inbound market. However, it's not the sole reason. As inbound tourism grows, domestic demand has been somewhat declining.

The accommodation situation for domestic guests is not favorable, with some months showing occupancy rates below pre-pandemic levels (see next page, Figure 4). Factors include the completion of pent-up demand after COVID-19, intermittent increases in hotel prices, and the impact of prolonged inflation, which puts pressure on income and may lead to reduced travel demand. As a result, the utilization of inbound tourism has disproportionately increased, pushing up the inbound ratio.



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● **Hotel Demand Trends and Economic Assessment**

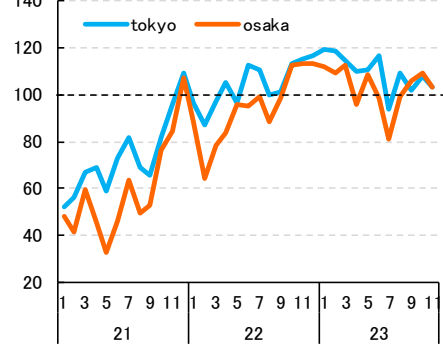
Recognizing these realities regarding hotel demand is essential. The divergence in trends related to accommodation demand, both domestically and internationally, also affects economic assessments.

While recent increases in hotel occupancy rates may suggest robust service consumption, the lack of growth in domestic demand prevents us from making such a straightforward assessment.

Domestic demand is already showing signs of stagnation, and depending on future price movements, further deterioration is possible.

The implementation status of nationwide travel support also plays a role. Going forward, vigilance is necessary regarding the divergence in supply and demand trends both domestically and internationally.

【Figure 4】  
the total number of domestic guests  
(%)  
(compared to 2019)



(source) JTA「Travel Statistics Survey」

(Reference)

Resona Research Institute Co.,Ltd  
Hideyuki Araki, Chief Economist  
hd-araki@rri.co.jp

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